



Fuel Taxes Newsletter

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■ All Fuel Tax and Fee Programs


1. New legislation takes effect

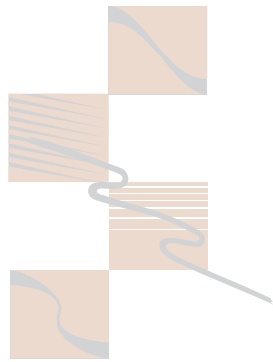
A new bill affecting fuel tax law, Assembly Bill 1765 (Stats. 2005, ch. 519), sponsored by the Board of Equalization, was enacted during the 2005 legislative session. The changes described below are effective January 1, 2006.

Voluntary electronic funds transfer payments. AB 1765 allows certain taxpayers and fee payers who voluntarily pay by electronic funds transfer to use that payment method for less than a year. Before this change, those who chose to pay by EFT were required to do so for at least one year. The change affects the Motor Vehicle Fuel Tax Law; Use Fuel Tax Law; Oil Spill Response, Prevention, and Administration Fees Law; Underground Storage Tank Maintenance Fee Law; Fee Collection Procedures Law; and Diesel Fuel Tax Law.

Diesel fuel tax. AB 1765 amends Revenue and Taxation Code section 60043 to eliminate the licensing and return filing requirements for a government entity that uses only tax-paid diesel fuel on the highway. (If you think you no longer need a license, please call us at 916-322-9669.) The bill also amends section 60603 to permit the state to designate an inspection site for diesel fuel inspections, amends section 9411 to clarify the definition of the International Fuel Tax Agreement (IFTA) and to specify which documents constitute that agreement, and makes minor technical changes to sections 9405, 9407, 9420, and 9432.

For copies of this or any other bill, please write to the Legislative Bill Room, State Capitol, Room B-32, Sacramento, CA 95814. Or see www.leginfo.ca.gov/bilinfo.html (be sure to read the final, "chaptered" version of the bill).





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2. Deadlines for filing claims for refund

As you probably know, there are time limits for filing a claim for refund. The deadline is whichever of the following occurs *last*:

- Three years from the due date of the return that resulted in a tax overpayment.
- Six months from the date of the tax overpayment.
- Six months from the date our billing for tax due ("determination") became final.
- Three years from the date we collected an involuntary payment from you, such as a levy or lien.

You may be able to extend the deadline by signing a waiver of limitation form. Be sure to discuss this option with our auditor.

Remember—a claim is valid only when it is in writing. You must state the specific reasons you believe we should refund the tax.

3. Civil behavior in trying times

Some observers have noted that civility is decreasing in our society as our lives become more complex. We know that you may find yourself frustrated with the difficulties of the tax law or pressed for time when dealing with our staff. Still, we ask that you treat our employees just as you would like to be treated in a business situation. Any statement made to a Board of Equalization employee that seems remotely like a threat—even a statement made in jest—will be referred to our Internal Security and Audit Division for investigation.

4. Ethics at work—"thank you" is enough

During the holiday season, many of you offer gifts to customers, suppliers, and others with whom you do business. We must ask, however, that you not extend your generosity to our employees. A simple "Thank You" or "Happy Holidays" will do—and will be much appreciated. Board of Equalization policy prevents our employees from accepting gifts of any type.

■ Underground Storage Tank Maintenance Fee

5. Rate increase effective January 1, 2006

The underground storage tank maintenance fee applies to petroleum products placed in underground storage tanks. Effective

January 1, 2006, the fee rate will increase by one mill to fourteen mills (\$0.014) per gallon. This increase was required by Assembly Bill 1906 (Stats. 2004, ch. 774), which amended Health and Safety Code section 25299.43.

For more information on the fee, you may visit our website at www.boe.ca.gov and read or order publication 88, *Underground Storage Tank Fee*.

■ Motor Vehicle Fuel Tax and Diesel Fuel Tax Programs

Diesel Fuel Tax

6. Ultimate vendors: Applying tax to sales of diesel fuel to farmers

As we notified you last fall, the federal fuel tax requirements for sales to farmers changed on October 1. However, the state requirements did not change. This article provides basic information on how to apply tax to diesel sales to farmers and exempt bus operators.

California diesel fuel tax

Clear diesel. Farmers can continue to purchase clear diesel fuel from licensed ultimate vendors without paying the *state* diesel fuel tax (18 cents per gallon) by issuing a *Certificate of Farming Use* (form BOE-608). Fuel purchased in this way must be used on a farm for farming. Farmers may not buy clear diesel fuel for highway use without paying tax. In addition, under state law, farmers may not file claims for refund with us for tax they paid on clear diesel they use in a nontaxable way.

Exempt bus operators can continue to buy clear diesel for exempt bus operations without paying the state diesel fuel tax by providing a *Certificate for Exempt Bus Operator* (form BOE-231-DB). Bus operators must claim the exemption at the time of purchase. They cannot take a credit on the *Exempt Bus Operator Diesel Fuel Tax Return* for tax paid on fuel used in exempt bus operations.

Dyed diesel. Farmers can continue to purchase dyed diesel fuel without paying state diesel fuel tax. Farmers who use dyed diesel fuel on the highway are subject to a penalty if they knew or should have known that the fuel was dyed.

Federal change

Effective October 1, 2005, farmers may no longer purchase clear diesel fuel without paying the federal diesel excise tax (24.4 cents per gallon). A

Need more
information?
Give us a call or go
online. See the back
page for telephone
numbers and website
addresses.

farmer exemption certificate is no longer valid for the federal diesel excise tax. To buy diesel without paying *federal* excise tax, farmers must purchase dyed diesel. A farmer who uses tax-paid clear diesel fuel in a nontaxable manner (off-highway) may claim a refund from the IRS.

7. Interstate user tax rate to increase

For calendar year 2006, California's interstate user tax rate will increase from 29.5 cents per gallon to 33.0 cents per gallon. Most interstate users who travel on California highways pay the tax through the International Fuel Tax Agreement (IFTA). Interstate users who travel only between California and Mexico (DI licensees) also pay the interstate user tax.

The 33.0 cents per gallon interstate user tax rate is a combination of two amounts:

- 18 cents per gallon—the same as the per-gallon rate for diesel fuel tax, plus
- 15 cents per gallon—equal to 7.25 percent of the average retail price of motor vehicle fuel sold in California.

Credits and refunds

Credit for interstate user tax. If you report and pay the interstate user tax on your IFTA or DI tax returns, you may claim a credit of the 33.0 cents per gallon interstate user tax for tax-paid diesel fuel you purchased in California, no

matter where you use it.

Refund of diesel fuel tax for nontaxable use.

You may not claim a credit or refund on your IFTA or DI returns for diesel fuel you used in a nontaxable way in California (such as off-highway use). Instead, you must file with us a *Diesel Fuel Claim for Refund on Nontaxable Uses* (form BOE-770-DU). That claim would cover the 18-cent diesel fuel tax portion of the interstate user tax.

8. Renew your IFTA credentials to avoid penalty charges

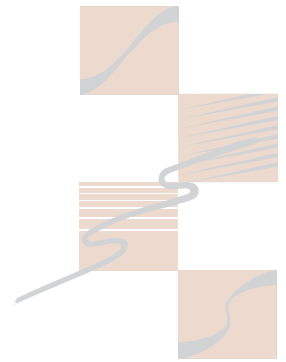
If you haven't yet applied for your 2006 IFTA credentials, be sure to do it soon. Your current credentials will expire on December 31, 2005 (unless your credentials are revoked, canceled, or suspended before then).

As explained on the next page, you are subject to a penalty charge if you enter California on or after January 1, 2006, without proper IFTA credentials (see grace period information) or a California Fuel Trip Permit.

Grace period for carriers who have applied and paid for their 2006 credentials

You have until February 28, 2006, to display your 2006 decals if you have filed all of your IFTA returns, paid all amounts due, and filed

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Motor Vehicle Fuel Tax and Diesel Fuel Tax

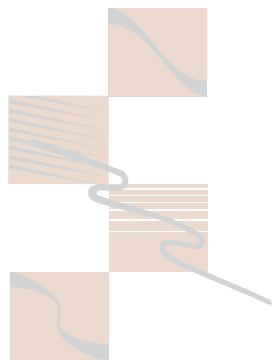
9. New schedule codes for suppliers of diesel fuel and motor vehicle fuel

We have added the following new schedule codes to our supplier returns:

<i>Form Number</i>	<i>Form Name</i>	<i>Schedule Code</i>	<i>Schedule Name</i>
BOE-501-PS	Supplier of Motor Vehicle Fuel Tax Return	3B	Out-of-state import of tax-free MVF blendstocks to an approved refinery or terminal
BOE-501-PS	Supplier of Motor Vehicle Fuel Tax Return	13C*	Tax-paid (aviation) fuel sold to the U.S. government*
BOE-501-PS	Supplier of Motor Vehicle Fuel Tax Return	5A	Fuel sold above the rack to unlicensed parties
BOE-501-DD	Supplier of Diesel Fuel Tax Return	5A	Fuel sold above the rack to unlicensed parties

* Schedule 13C is an existing schedule to the *Supplier of Diesel Fuel Tax Return*. Starting now, suppliers may claim a credit on the *Supplier of Motor Vehicle Fuel Tax Return* for taxes paid on sales of tax-paid aviation fuel to the U.S. Armed Forces for use in aircraft. This replaces the previous requirement for filing a claim for refund with the State Controller. Proposed legislation will officially allow suppliers to take this credit under the Motor Vehicle Fuel Tax Law. In the meantime, we are administratively allowing suppliers to claim the credit on their supplier return.

Need more information?
Give us a call or go online. See the back page for telephone numbers and website addresses.



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10. Filing Tips

Use only numbers and letters when you enter document numbers

Please use only letters and numbers when you enter document numbers (invoice numbers, bills of lading, and so forth). Do not include spaces, hyphens, dashes, or other special characters, or enter one or more zeroes before the document number. We must remove all characters that aren't letters or numbers to make sure that document numbers are recorded correctly in our system. Your cooperation will help ensure that our matching process works effectively and that we will not have to contact you to clarify reporting differences.

Example. The following shows three different document numbers reported by a position holder and terminal operator for one transaction. The document numbers on lines B and C should match the document number on line A.

	Document Number	Gallons
A	531	12,500
B	0531	12,500
C	5-31	12,500

11. Are you required to e-file with the IRS?

Effective January 1, 2006, Terminal Operators and Vessel/Pipeline Operators must file electronically with the Internal Revenue Service. You may also file these reports electronically with us, using the IRS format.

To e-file with us, apply by completing and submitting the *Trading Partner Agreement* (form BOE-400-TPA). This form is available online at www.boe.ca.gov. Contact the Fuel Taxes Division at 916-322-9669 if you have any questions.

12. E-filers: Stay informed

If you are registered to file your motor fuels forms electronically, we stopped sending your paper tax forms effective August 1, 2005. However, since we periodically include useful fuel tax information with the paper tax forms, including this newsletter, we've added you to our e-mail subscription system. We'll notify you when we publish the *Fuel Taxes Newsletter* or other important fuel tax information.

If you change your e-mail address, you will need to reregister for this service by visiting www.boe.ca.gov/sptaxprog/letters/index.htm. To remove your name from the subscription service,

send an e-mail message to majordomo@web04.ca.gov with the following text in the body of your e-mail message: "unsubscribe ftd <your e-mail address here>." For example, if your e-mail address is fuelguy@xyz.net, the text of your e-mail message should say "unsubscribe ftd fuelguy@xyz.net."

Important note: You are responsible for complying with any requirements explained in announcements made through this subscription service, even if your e-mail address changes or you remove yourself from the service.



■ IFTA renewal, continued from previous page

and paid your credential renewal on time. Many IFTA jurisdictions, including California, step up their IFTA credential enforcement beginning on March 1 each year.

Penalty charge

If you're not covered by the grace period or otherwise do not have credentials, you will be assessed a penalty if you enter California without valid IFTA credentials or a California Fuel Trip Permit. The penalty can be calculated two different ways:

- If we determine that you owe a specific amount of tax, the penalty will be 25 percent of the tax amount or \$500, whichever is more.
- If we do not determine the amount of tax you owe, the penalty is \$100. For later violations, \$100 will be added to the amount of the penalty until the penalty reaches the maximum of \$500. For example, the minimum penalty is \$200 for a second violation and \$300 for a third violation.

In addition to paying a penalty, you will also be required to purchase a California Fuel Trip Permit to travel in California. The current cost of a permit is \$30 for a single vehicle for a consecutive four-day period.

Fuel Taxes Division

916-322-9669

Board of Equalization, MIC:30
P.O. Box 942879
Sacramento, CA 94279-0030

Board website and Member contact information:

www.boe.ca.gov

Tax Evasion Hotline

888-334-3300

Legislation

www.leginfo.ca.gov

Taxpayers' Rights Advocate

888-324-2798

www.boe.ca.gov/tra/tra.htm

